

VIA CFTC PORTAL

17 March 2021

Mr Christopher Kirkpatrick
Commodity Futures Trading Commission
1155 21st Street NW
Three Lafayette Centre
Washington DC 20581

LCH Limited Self-Certification: ForexClear fees update

Dear Mr Kirkpatrick,

Pursuant to Commodity Futures Trading Commission (the "CFTC") Regulation §40.6(a), LCH Limited ("LCH"), a derivatives clearing organization registered with the CFTC, is submitting for self-certification updates to the ForexClear fee schedule.

Part I: Explanation and Analysis

The ForexClear service charges fees to Clearing Members in relation to their activity in the eligible deliverable and non-deliverable FX products¹, respectively. These include fixed and variable components and are charged at Clearing Member Group level.

Currently, Clearing Members may choose between two tariffs, Silver and Bronze. ForexClear intends to introduce two additional tariffs, as follows:

- i. A Gold tariff that will be charged for the non-deliverable and deliverable FX clearing activity combined. The annual fee of GBP 1.25mn tariff will cover unlimited activity in Non-Deliverable Forwards ("NDFs") and up to the first \$60bn cumulative notional cleared in Non-Deliverable Options ("NDO") and FX Options. Further, this tariff will be subject to an annual fee cap of GBP 1.8mn.
- ii. A Zinc tariff applicable to deliverable FX products only. This will sit between the current Silver and Bronze tariffs and will be subject to an annual fee cap of GBP 1.3mn.

¹ <https://www.lch.com/services/forexclear/what-we-clear>

Additionally, the following changes and clarifications will be made to the fee schedule:

- i. The monthly fees that previously applied to both the non-deliverable and deliverable FX tariffs will be removed.
- ii. A note clarifying that ForexClear Clearing Members may only move to a lower fee tariff at the start of the new calendar year will be added under the section "Member Fees".
- iii. References to Emerging Market ("EM") and G10 NDF under the section "Non-Deliverable FX Only Fees" will be replaced with EMTA and non-EMTA NDF, respectively, in line with recent changes made to the LCH Product Manuals², which have been certified with the CFTC.
- iv. References to the new Gold and Zinc tariffs will be added throughout the fee schedule, as appropriate and some other words references will be updated, for completeness.

Please note that existing fee discounts to Clearing Members on the Silver and Bronze tariffs and current fee holidays applicable to NDOs clearing and Compression will continue to apply, as set out in the fee schedule.

The changes will be effective not earlier than April 1, 2021.

Part II: Description of Rule Changes

There are no changes to the LCH Rulebook, however LCH will make changes to its website. The changes to the webpage on ForexClear fees are set out in **Appendix I**.

Part III: Core Principle Compliance

LCH has reviewed the changes against the requirements of the Core Principles and finds that they will continue to comply with all the requirements and standards therein. In particular, in making these changes and publishing them on its website, LCH ensures that it continues to adhere to Core Principle L (§39.21) on Public information, which requires DCOs to make available publicly each clearing and other fee charged to Clearing Members. More generally, the changes described in this filing ensure that LCH meets the objective of that Core Principle that a DCO shall provide sufficient information to market participants to enable them to identify and evaluate accurately the costs associated with using its services.

LCH has processes in place to monitor the content of its website, ensure it is in line with applicable regulatory disclosure requirements and that is updated as necessary. The webpage on ForexClear fees will be updated with the changes set out in **Appendix I** once they become effective not earlier than April 1, 2021.

Part IV: Public Information

LCH has posted a notice of pending certification with the CFTC and a copy of the submission on LCH's website at: <https://www.lch.com/resources/rulebooks/proposed-rule-changes>.

² [FCM Product Manual](#) and [Non-FCM Product Manual](#) (see Part A, B and C of Schedules 3 and 6, respectively).

Part V: Opposing Views

There were no opposing views expressed to LCH by governing board or committee members, members of LCH or market participants that were not incorporated into the change.

Certification

LCH hereby certifies to the Commodity Futures Trading Commission, pursuant to the procedures set forth in Commission Regulation § 40.6, that the attached submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated there under.

Should you have any questions please contact me at julian.oliver@lch.com.

Yours sincerely

P.P. 

Julian Oliver
Chief Compliance Officer
LCH Limited

Appendix I

Website changes (ForexClear fees)

<https://www.lch.com/services/forexclear/fees>

[ForexClear Clearing Members may be members of either or both of the ForexClear Deliverable Service and the ForexClear Non-Deliverable Service. ForexClear Clearing Members may choose from a variety of fee tariffs: Gold – Combined Tariff, Bronze, Silver and Zinc. Each tariff covers all house trade registration activity for a ForexClear Clearing Member Group.](#)

ForexClear Gold Tariff – Combined Non-Deliverable and Deliverable FX Fee

<u>Annual Tariff</u>	<u>Options/ NDO Fee / mn*</u>	<u>FX spot / Forward Hedges and NDF Fee / mn</u>	<u>**FX Forward Settlement Fee / mn</u>	<u>Annual Fee Cap</u>
<u>GBP 1,250,000</u>	<u>GBP 2</u>	<u>n/a</u>	<u>0.2 EUR or USD</u>	<u>GBP 1,800,000</u>

Additional Description

[*Options fees applicable beyond the first \\$60bn cumulative notional cleared is included in the GBP 1.25mm fee](#)

[** Only applicable to FX Forward transactions that are not cleared for the purpose of hedging FX Options, reducing initial margin requirements or reducing settlement risk.](#)

Non-Deliverable FX Only Fees**

<u>Tariff</u>	<u>Annual Tariff</u>	<u>Monthly Tariff</u>	<u>EM-NDF Fee / mn</u>	<u>G10-NDF Fee / mn</u>
<u>Client</u>	<u>n/a</u>	<u>n/a</u>	<u>US\$ 2</u>	<u>US\$ 1</u>
<u>Bronze</u>	<u>US\$ 350,000*</u>	<u>US\$ 29,166</u>	<u>US\$ 2</u>	<u>US\$ 1</u>
<u>Silver</u>	<u>GBP 825,000</u>	<u>GBP 68,750</u>	<u>n/a</u>	<u>n/a</u>

<u>Tariff</u>	<u>Annual Tariff</u>	<u>EMTA NDF Fee / mn</u>	<u>Non-EMTA NDF Fee / mn</u>
<u>Client</u>	<u>n/a</u>	<u>US\$ 2</u>	<u>US\$ 1</u>
<u>Silver</u>	<u>GBP 825,000</u>	<u>n/a</u>	<u>n/a</u>
<u>Bronze</u>	<u>US\$ 350,000*</u>	<u>US\$ 2</u>	<u>US\$ 1</u>

*Non-deliverable bronze tariff is capped at US\$-1,250,000 per calendar year.

**Silver, Bronze and Client tariffs are exempted from Non-deliverable Options clearing fees until 31st Dec 2021.

Deliverable FX Only Fees

Tariff	Annual Tariff	Monthly Tariff	FX Options Fee / mn	FX spot / Forward Hedges Fee / mn	**FX Forward Fee / mn
Bronze	US\$ 400,000	US\$ 33,333	US\$ 2	US\$ 2	0.2 EUR or USD
Silver	GBP 885,000	GBP 73,750	n/a	n/a	0.2 EUR or USD

Tariff	Annual Tariff	FX Options Fee / mn	FX spot / Forward Hedges Fee / mn	**FX Forward Settlement Fee / mn	Annual Fee Cap
<u>Silver</u>	<u>GBP 885,000</u>	<u>n/a</u>	<u>n/a</u>	<u>0.2 EUR or USD</u>	
<u>Zinc</u>	<u>GBP 495,000</u>	<u>US\$ 2</u>	<u>n/a</u>	<u>0.2 EUR or USD</u>	<u>GBP 1,300,000</u>
<u>Bronze</u>	<u>US\$ 400,000</u>	<u>US\$ 2</u>	<u>US\$ 2</u>	<u>0.2 EUR or USD</u>	

Note: New Clearing Members of the ForexClear Del deliverable Sservice will be eligible for a fee discount, please refer to 'Fee Discounts'.

**Only applicable to FX Forward transactions that are not cleared for the purpose of hedging FX Options, reducing initial margin requirements or reducing settlement risk ~~margin management or settlement management.~~

Member Fees

~~Members may be members of either or both of the deliverable and non-deliverable sides of the service. For each of the deliverable and non-deliverable sides, a Member Group may choose from two fee tariffs, Bronze or Silver, covering all house trade registration activity for a Clearing Member Group.~~

Where a ForexClear Clearing Member wishes to move from a lower fee tariff to a higher fee tariff, including to the combined Non-Deliverable and Deliverable Gold Tariff ~~the Bronze Tariff to the Silver tariff,~~ if the Member gives notice by the 20th of the preceding month, ~~they it~~ will move to the newly elected fee Silver tariff effective the 1st of the following month. From that month the remaining monthly instalments

of the calendar year will be payable at the newly elected fee Silver tariff irrespective of fee amounts already invoiced under the ForexClear Clearing Member's previous fee Bronze tariff. ForexClear Clearing Members may only move to a lower fee tariff at from the Silver tariff to the Bronze tariff for the start of the new calendar year.

Compression Fees (Member & Client Clearing)

- Gold, Silver, Bronze, Zinc and Client tariffs will not be charged fees for using the ForexClear Compression Service until 31st Dec 2021.
- Members and Clients will be charged US\$1 per US\$1 million of notional reduced using ForexClear Compression.
- A cap of US\$500 000 per annum will apply per ForexClear Clearing Member Group for compression of Member Group trades (i.e., proprietary trades).
- No cap is applicable There is no cap on compression fees for cClients, or cClearing bBrokers clearing Client business.

Variable Fee Calculation

The Variable tariff fees are calculated on each trade as

- [Notional amount of trade] * the pPer mMillion (US\$) nNotional fee from the relevant tTier in the schedule above.
- ForexClear Client Clearing fees are calculated based on the total cleared notional in a calendar year for each independent Client Clearing portfolio.

Fee Discounts

ForexClear Non-Deliverable Service

The ForexClear Clearing Member on the Silver or Bronze tariff that clears the most nNon-deliverable FX volume by trade count with respect to its house (*i.e.*, proprietary) account, including any inter-affiliate trades, will receive a monthly fee discount of £15,000. The discount is applied to the Silver or Bronze ForexClear Clearing Member's monthly fee bill in arrears.

ForexClear Deliverable Service

When first electing the Silver or Bronze tariff, ForexClear Clearing Members of the ForexClear Deliverable Service will be eligible for their first 4-months free of clearing fees.

Settlement Reduction Fees for the Deliverable Service

LCH will impose a fee as part of the automated settlement reduction process, levied against members who are in breach of relevant settlement limits at end of day on SD-2.

The fee will take the form of a "per unit of notional" charge against settlement amounts in excess of relevant currency settlement limits applied in respect of the excess of member's Settlement Position Amount over the Settlement Position Limit as per table below:

	AUD	CHF	EUR	GBP	JPY
Bps on notional	0.26	0.23	0.2	0.22	0.2

Fee Notes

All ~~f~~fees are billed monthly in arrears.

Fixed member fees are pro-rated monthly where a member joins intra year.

A one-off on boarding fee of \$70,000 will be billed one month in arrears for each new ForexClear Clearing Member, FCM Clearing Member or ForexClear Dealer or Affiliate, which is a member of, or an Affiliated Firm of, a Member Group.

Members clearing both Non-deliverable and Deliverable FX will be required to pay both Non-deliverable and Deliverable fees: or the combined 'Gold' tariff.

For a member to offer Client Clearing they must be part of a fee-paying Mmember Ggroup.

Client Clearing fees are billed to Clearing Members

A "Client Clearing Portfolio" is a separate legally identified Client Account that exists at a specific Clearing Member. A Client Clearing Portfolio is unique to each Clearing Member.

A "Member Group" means a ForexClear Clearing Member or an FCM Clearing Member, its direct and indirect subsidiaries and its direct and indirect holding companies and every direct and indirect subsidiary of each such holding company, from time to time. For the purposes of this definition: (i) 'subsidiary' means a company in which an entity holds more than 50% of the voting rights; and (ii) 'holding company' means a company that holds more than 50% of the voting rights in another entity.

An "Affiliated Firm" in relation to a Member Group means a firm that satisfies both of the following tests:

- A ForexClear Clearing Member or a FCM Clearing Member (or any other member of its Member Group) holds 50% or more of the voting rights in the firm; and
- One or more ForexClear Clearing Members or FCM Clearing Members (or any other member of their Member Group) together hold more than 50% of the voting rights in the firm.

"Voting rights" means the rights conferred on shareholders in respect of their shares or, in the case of a company not having a share capital, on members, to vote at general meetings of the company on all, or substantially all, matters.

Changes in an entity's corporate ownership may lead to changes in the tariff that applies to it.

Terms used herein are as defined in the rulebook of LCH, which you can access from the Quick Links below.